agri benchmark

Canadian crop production – How does it compare to global competitors?

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Soils and Crops 2017

- Soil and Crops

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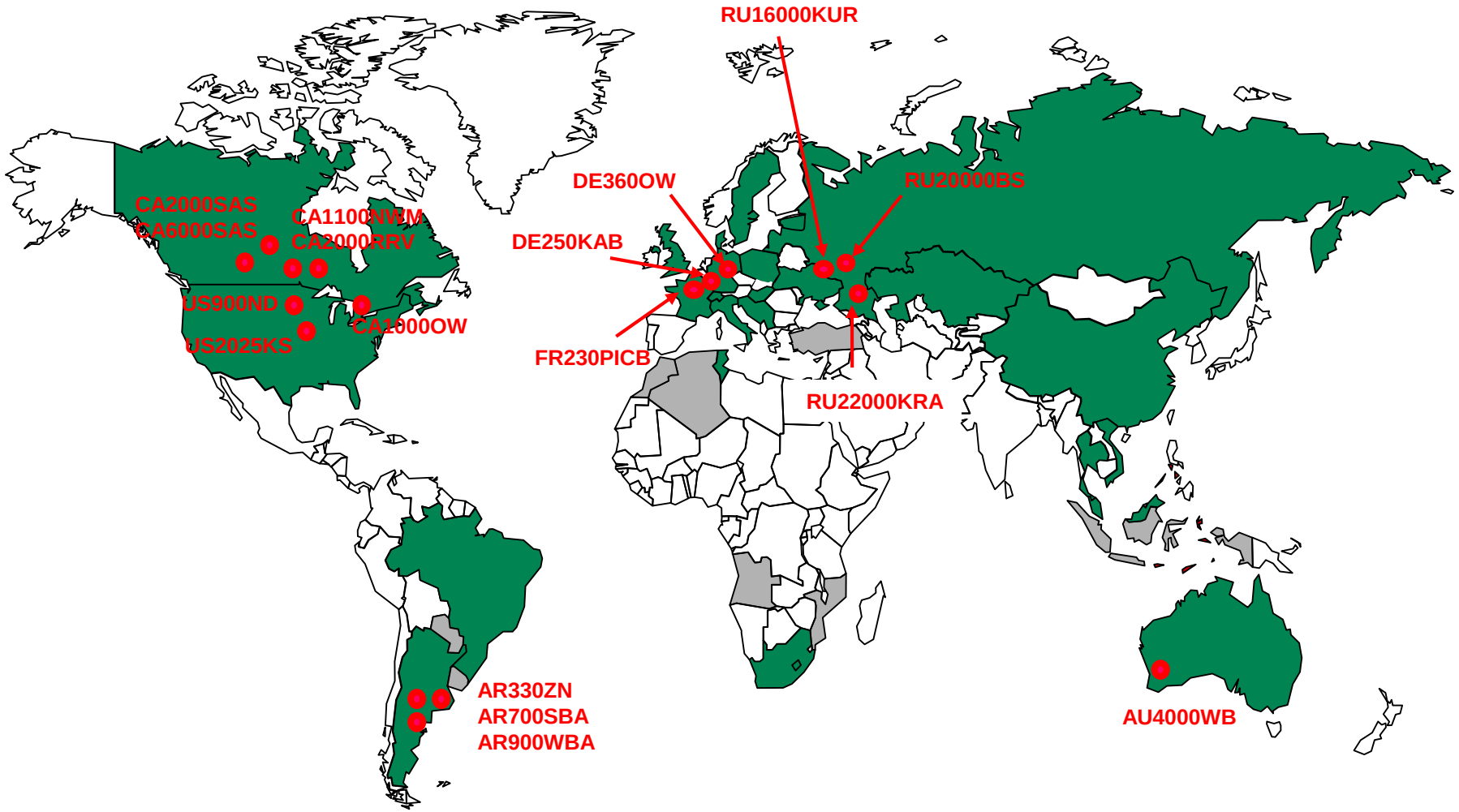
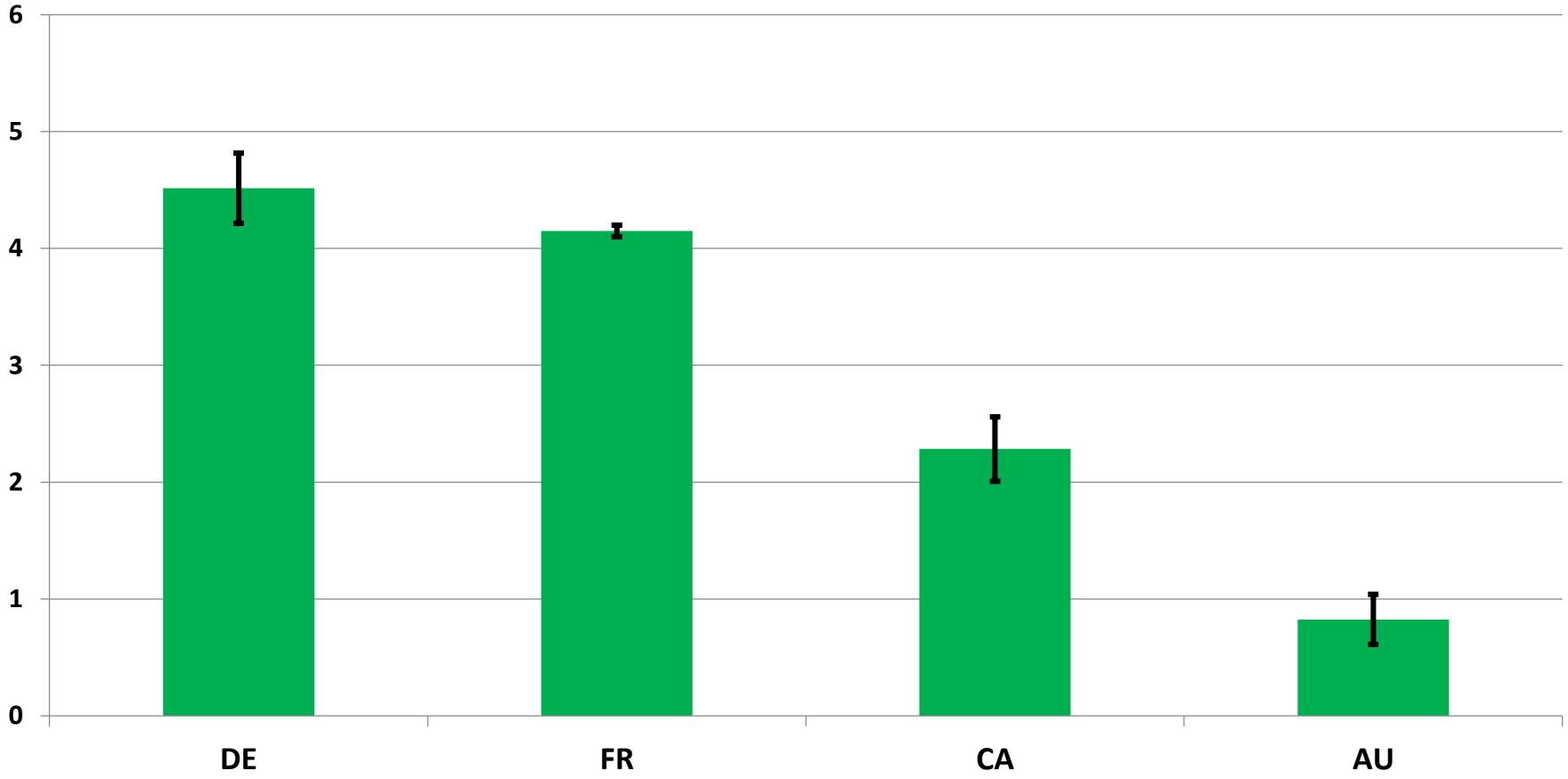
Agenda

1. ***agri benchmark* – What is that?**
2. **Canola - International comparison production economics**
3. **Wheat - International comparison production economics**

Location Typical Farms

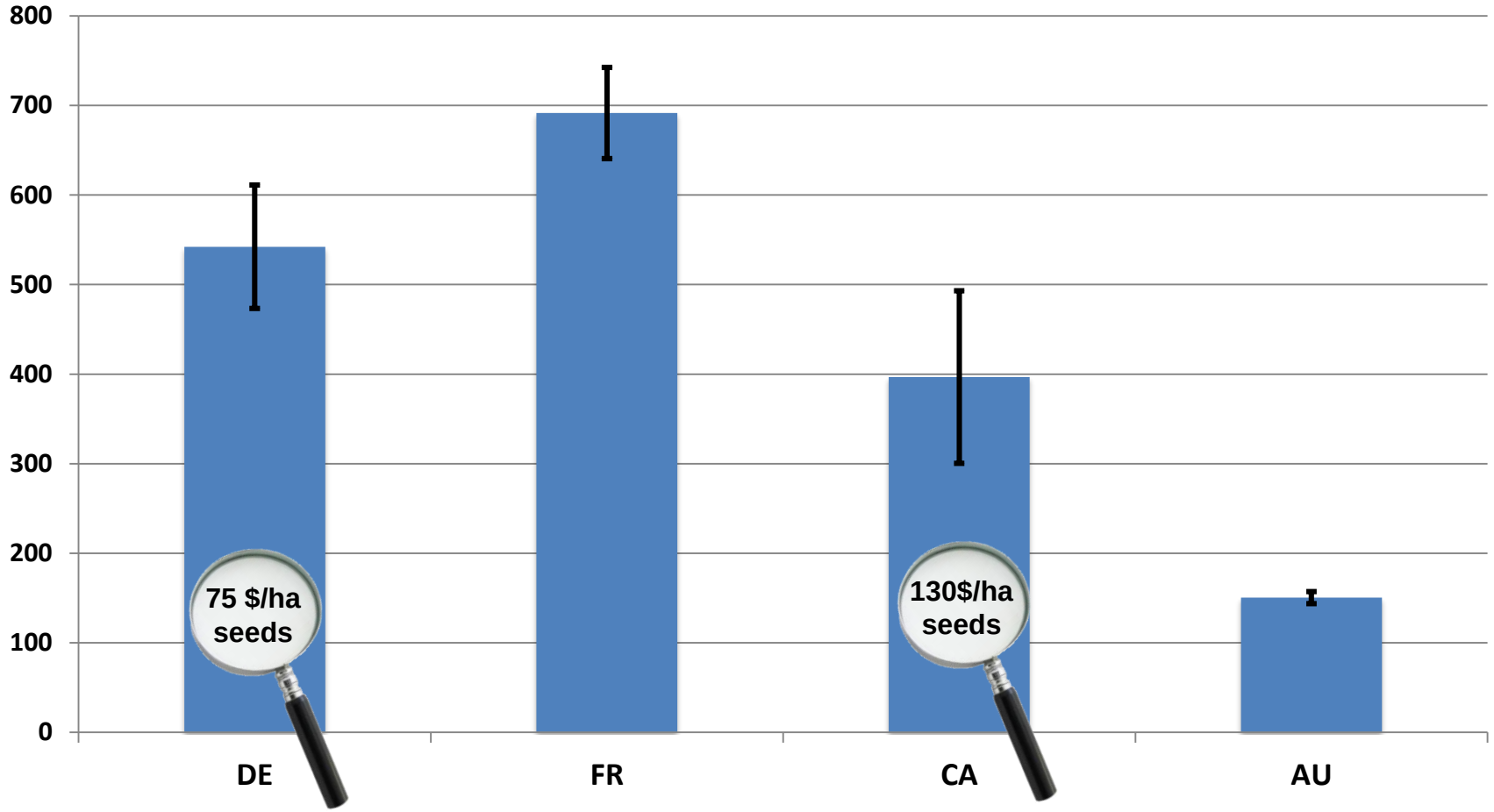


Canola Yields *agri benchmark* Farms (t/ha)



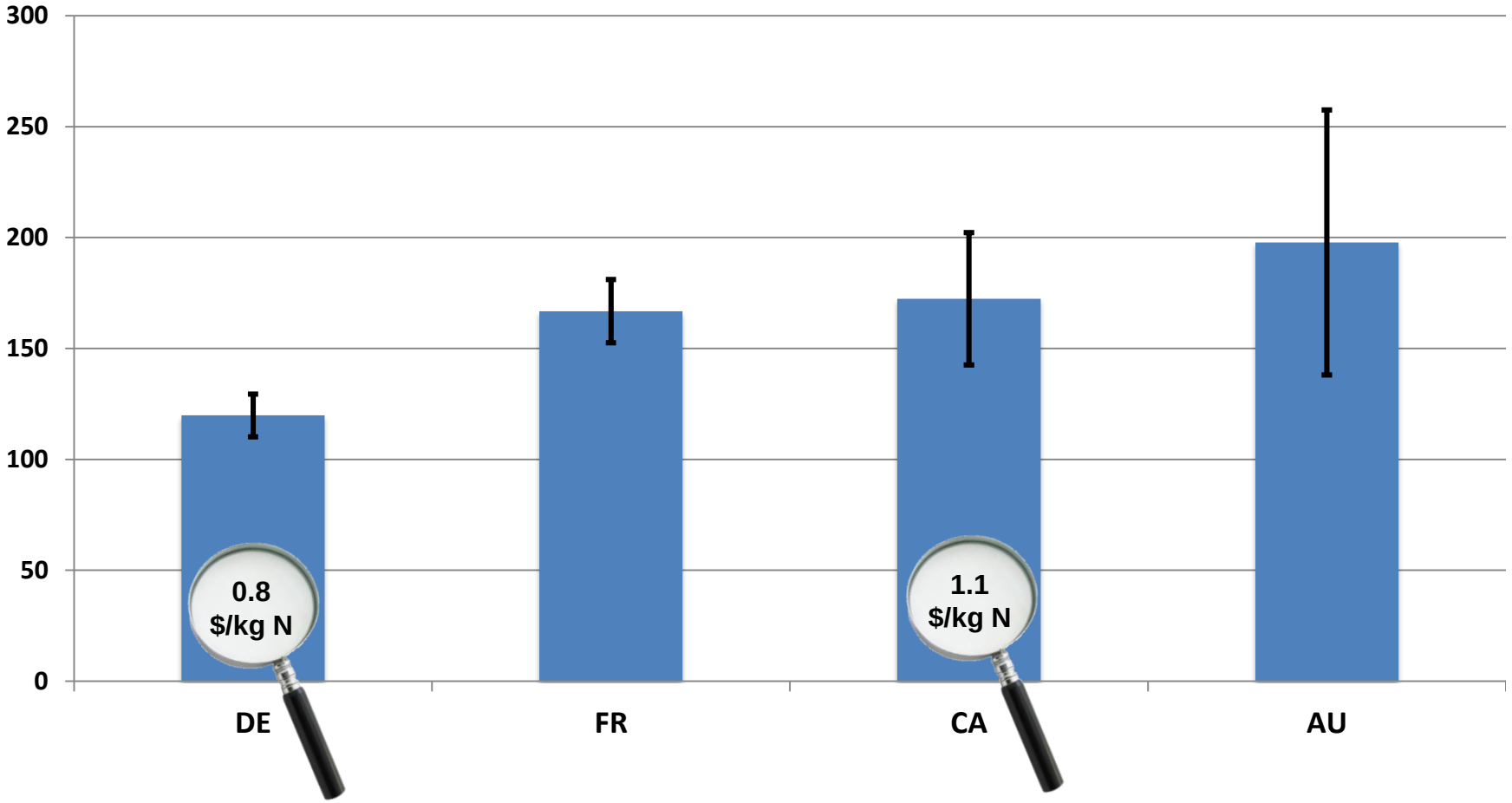
1. Canadian Canola yields moderate to low from a global perspective – main constraint: precipitation.
2. But: Australian, Kazakh and Russian producers tend to generate much lower yields.

Direct Cost Canola (USD/ha)



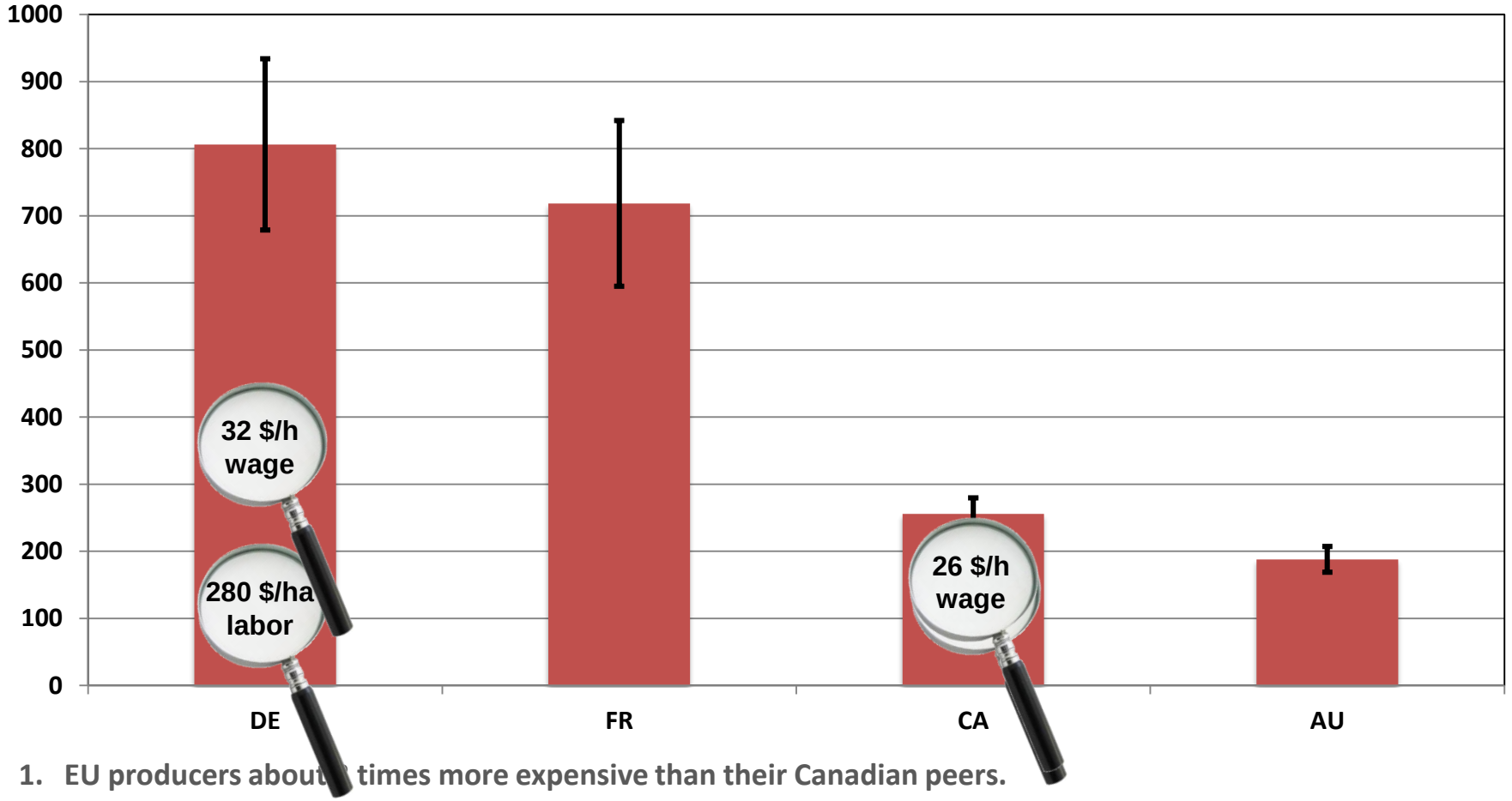
1. Per hectare: Canadian producers also moderate direct cost (seed, fertilizer, crop protection)
2. Australian producers tend to be very low – high risk of crop failure (much higher than in CA)

Direct Cost Canola (USD/t)



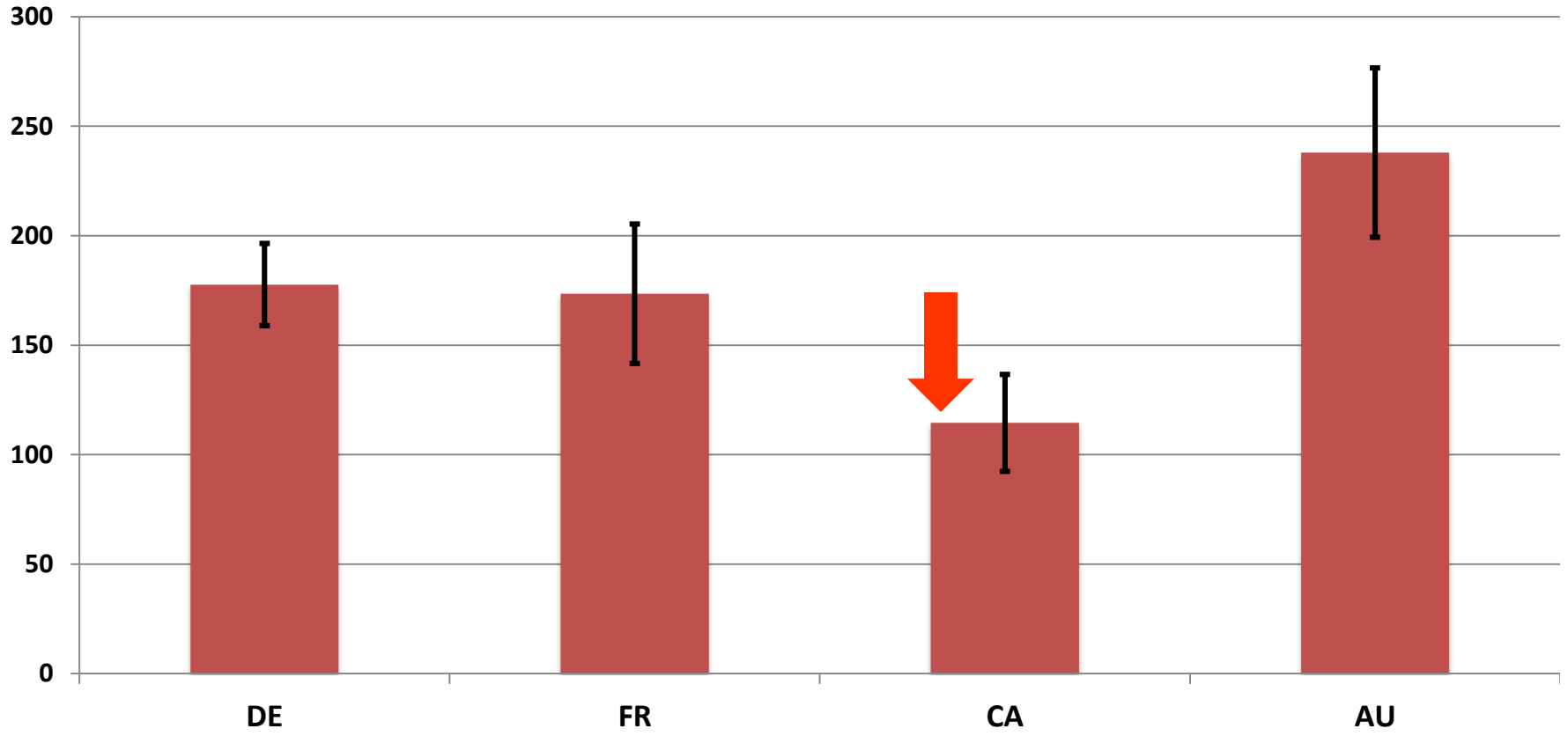
1. Direct cost per tonne: Canadian producers are relatively expensive, AU grower are most expensive.
2. Important factors: Higher seed and higher nitrogen prices.

Operating Cost Canola (USD/ha)



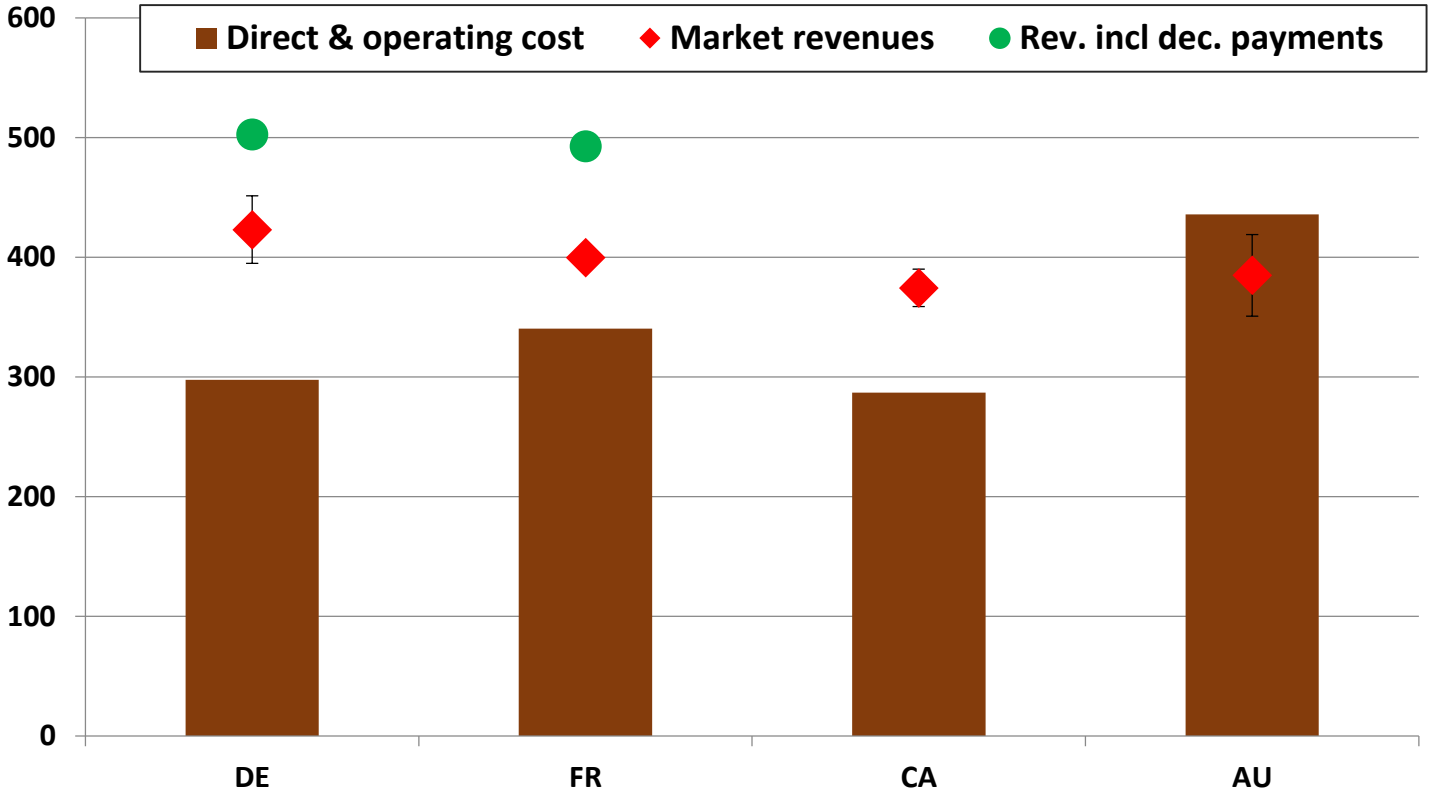
1. EU producers about 3 times more expensive than their Canadian peers.
2. Key drivers: high labor cost (many hours spend outside operations – farm size effects; wage rates only minor)
3. Canadian and Australian growers on a similar level.

Operating Cost Canola (USD/t)



1. Per-ton-perspective reveals strength of Canadian growers in operations: 50 $/t less than EU typ. farms.
2. Due to rather low yields, Australian producers are rather high cost producers.

Direct & Operating Cost vs. Market Revenue & EU Decoupled Payments (USD/t)



1. CA farms with lowest total cost (when land cost is excluded).
2. Due to logistics cost & export parity for oil and protein, farm gate prices in CA below Western Europe.
3. EU producers heavily benefitting from direct payments (app. 100 USD/t in canola)

Agenda

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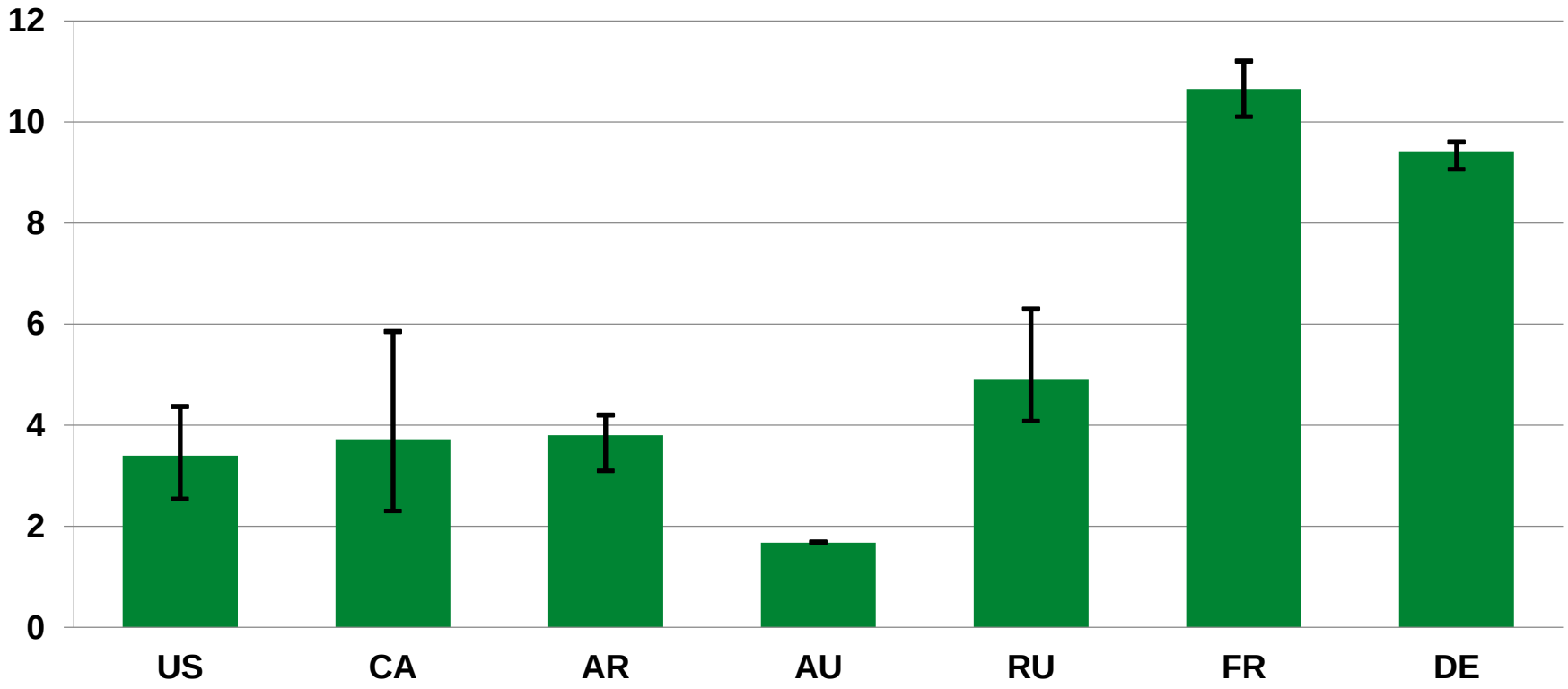
3. **Wheat - International comparison production economics**

Typical Farms: Av. Wheat Yields and Variation (t/ha)

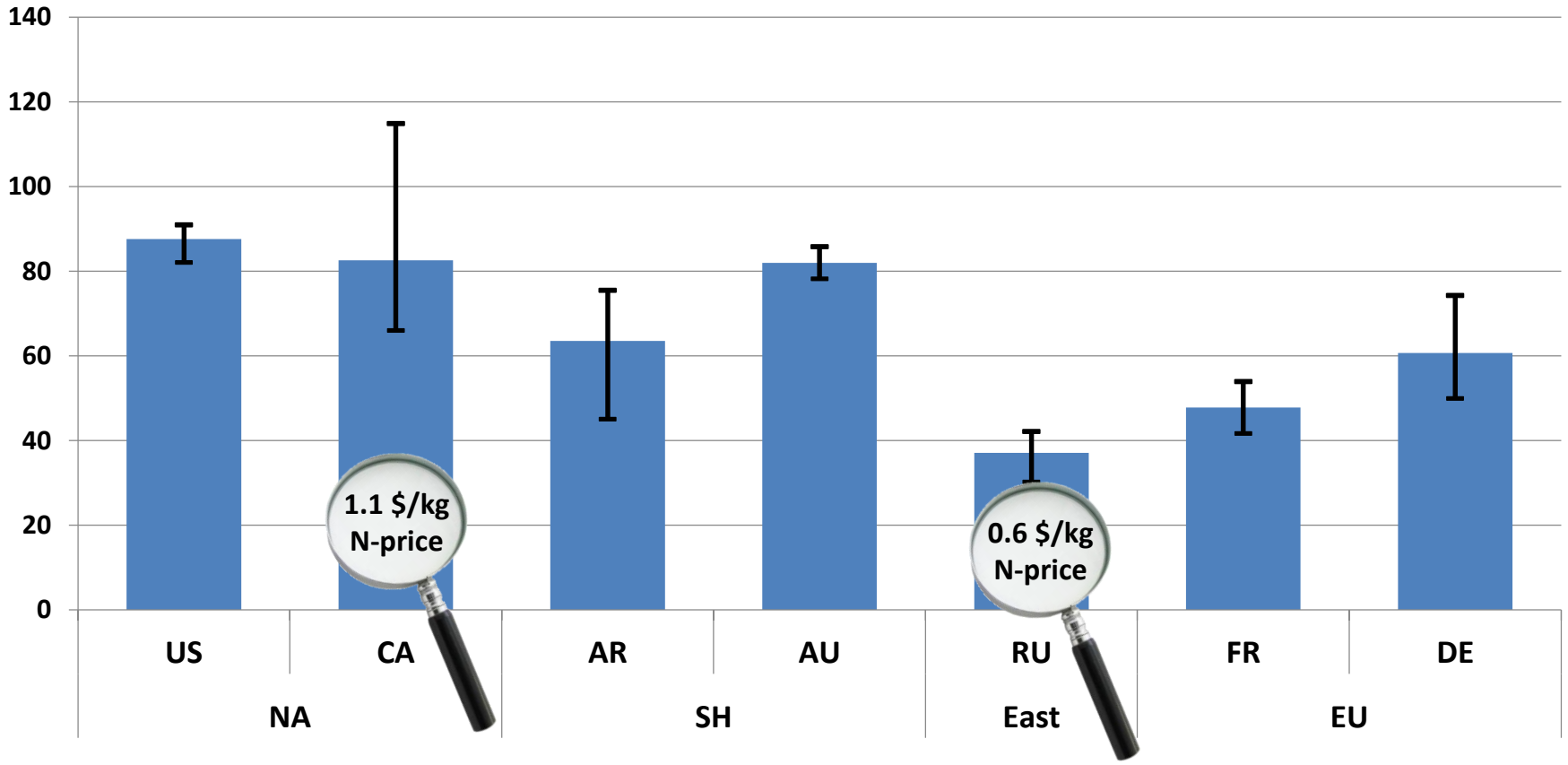


(1) Again, typical farms in Canada, the US and Argentina in one camp.

(2) Russian farms only slightly higher yields – despite much higher precipitation.

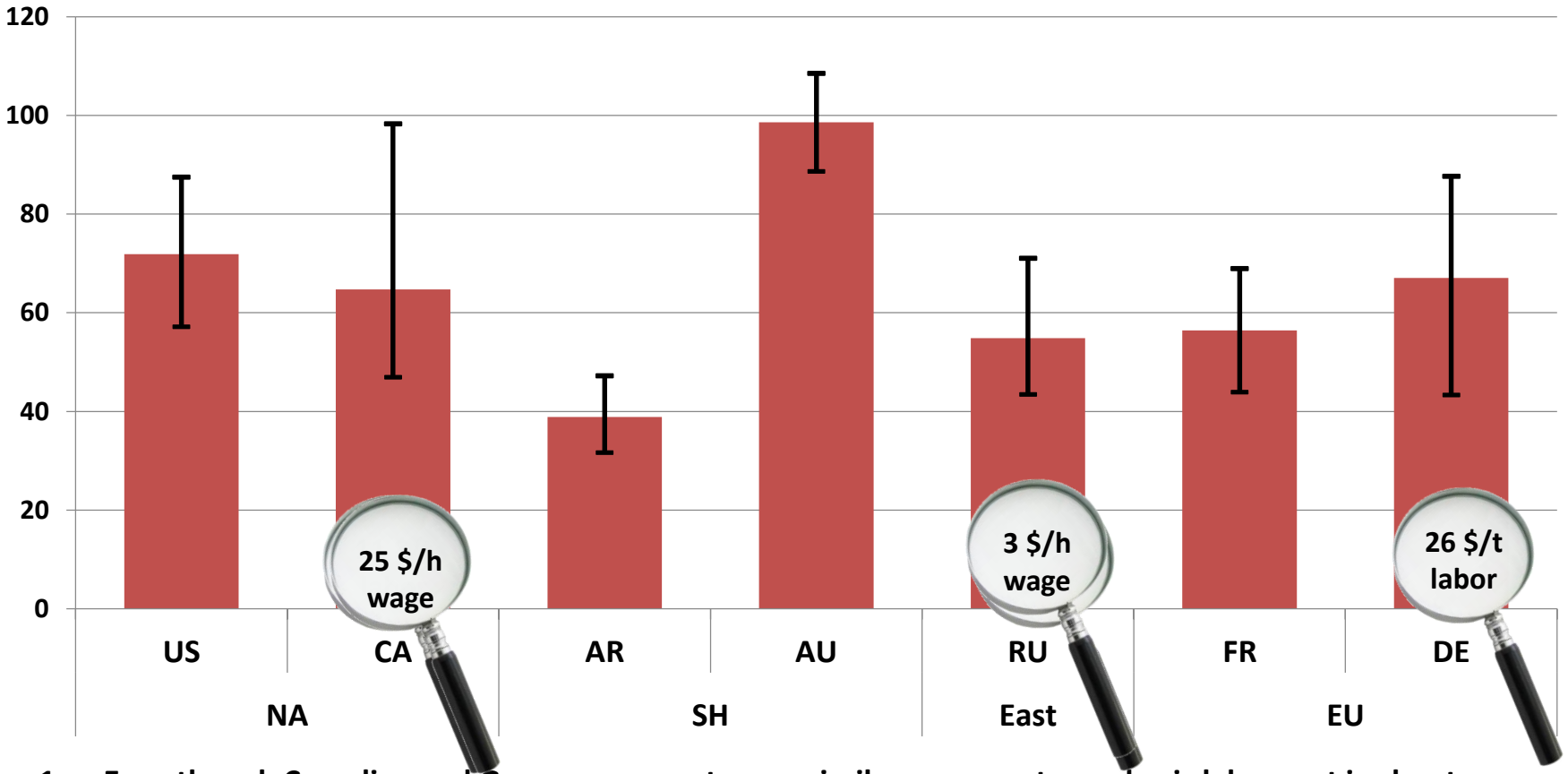
(3) Western Europe by far the most productive wheat region (precipitation, duration of cropping season).

Direct Cost Wheat – per Tonne (USD/t)



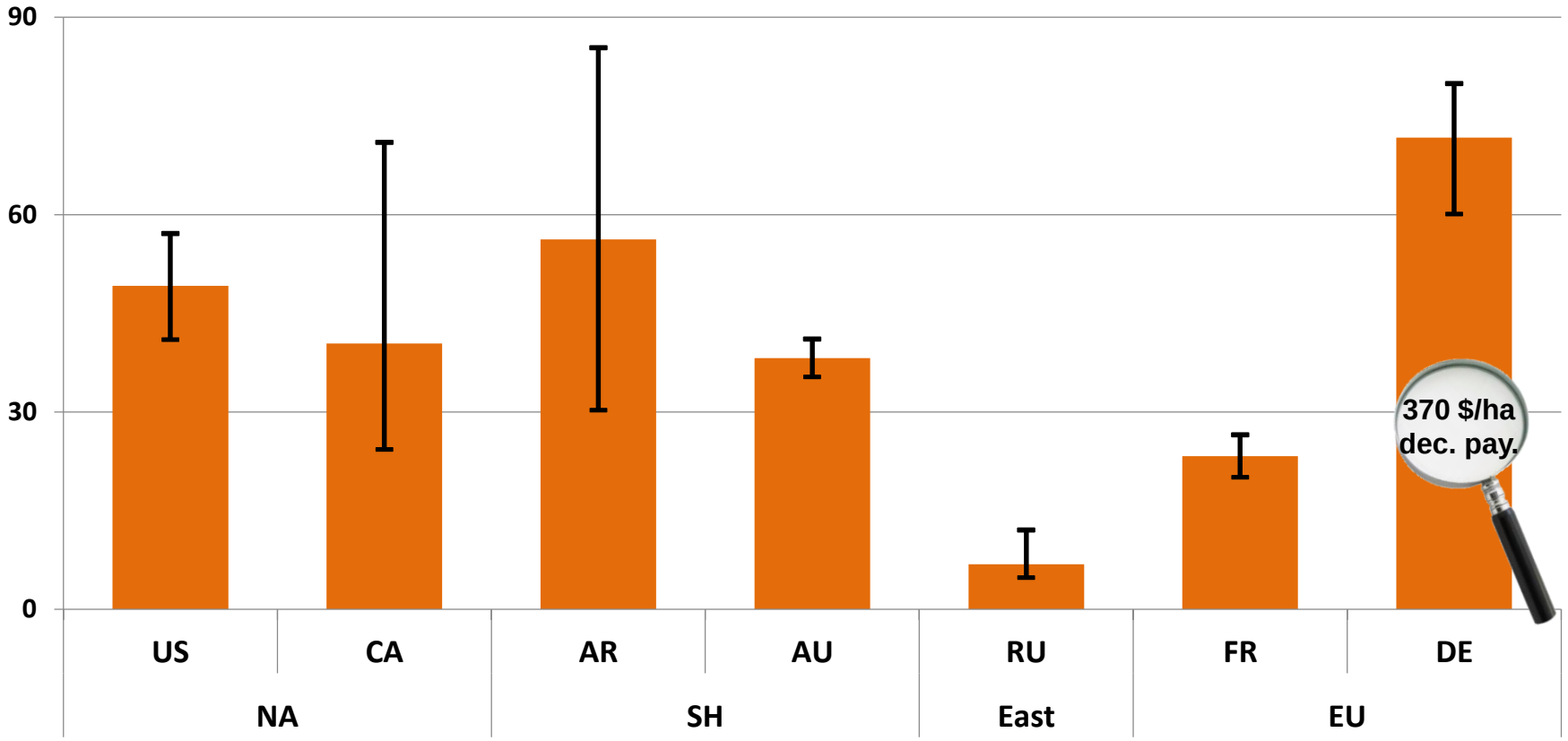
1. **Russian farms have the lowest direct cost per tonne .**
2. **Very low nitrogen prices in Russia one key driver.**

Operating Cost Wheat – per Tonne (USD/t)



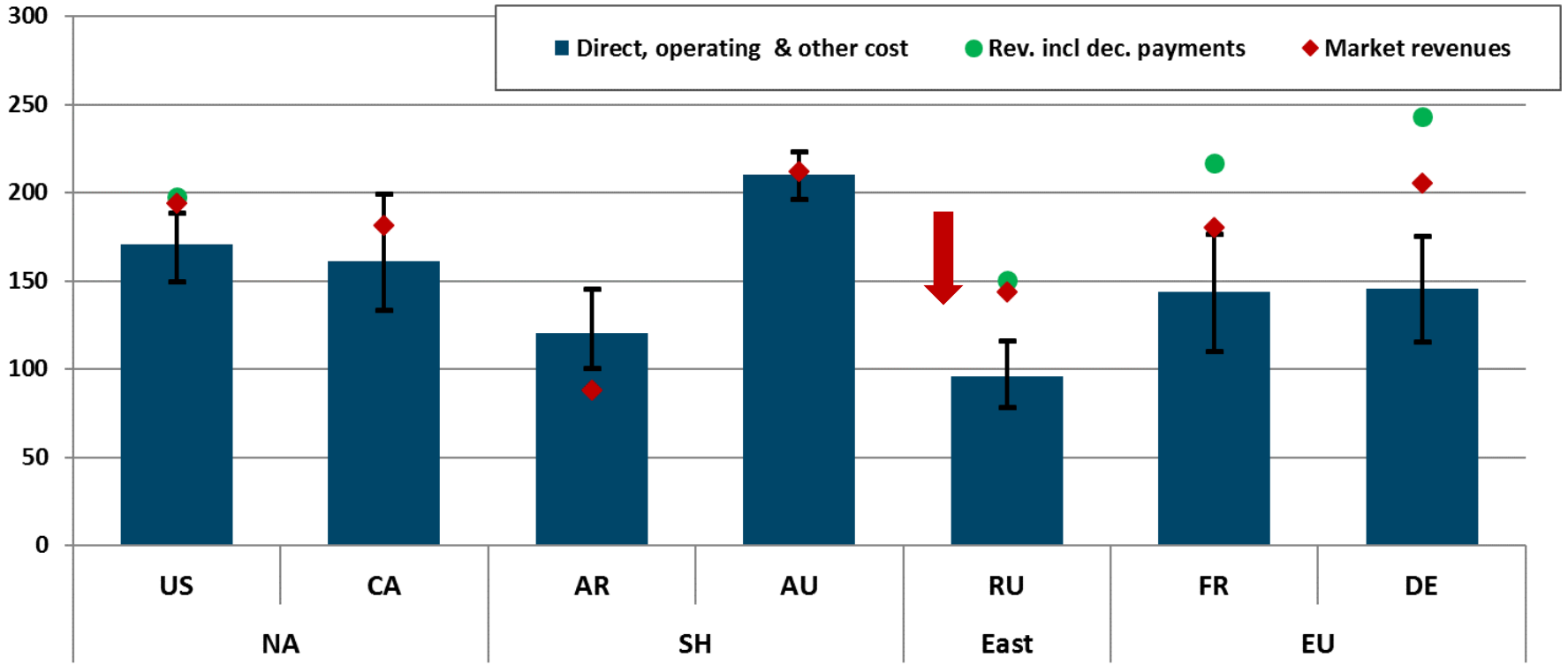
1. **Even though Canadian and German wage rates are similar, on a per tonne basis labor cost is about 2,5-times higher for typical German producers.**
2. **Canadian labor cost similar as for Russian producers – despite the fact that Russian wage rates are just 1/8 of the Canadian. Very low labor productivity in Russia; challenge when economy goes up.**

Land Lease Cost per Tonne of Wheat (USD/t)



1. **Except for FR and RU: on a per ton-basis land cost are rather similar.**
2. **Typical French farm artificially low due to government restrictions on land rents. Payments "under the table" rather likely.**

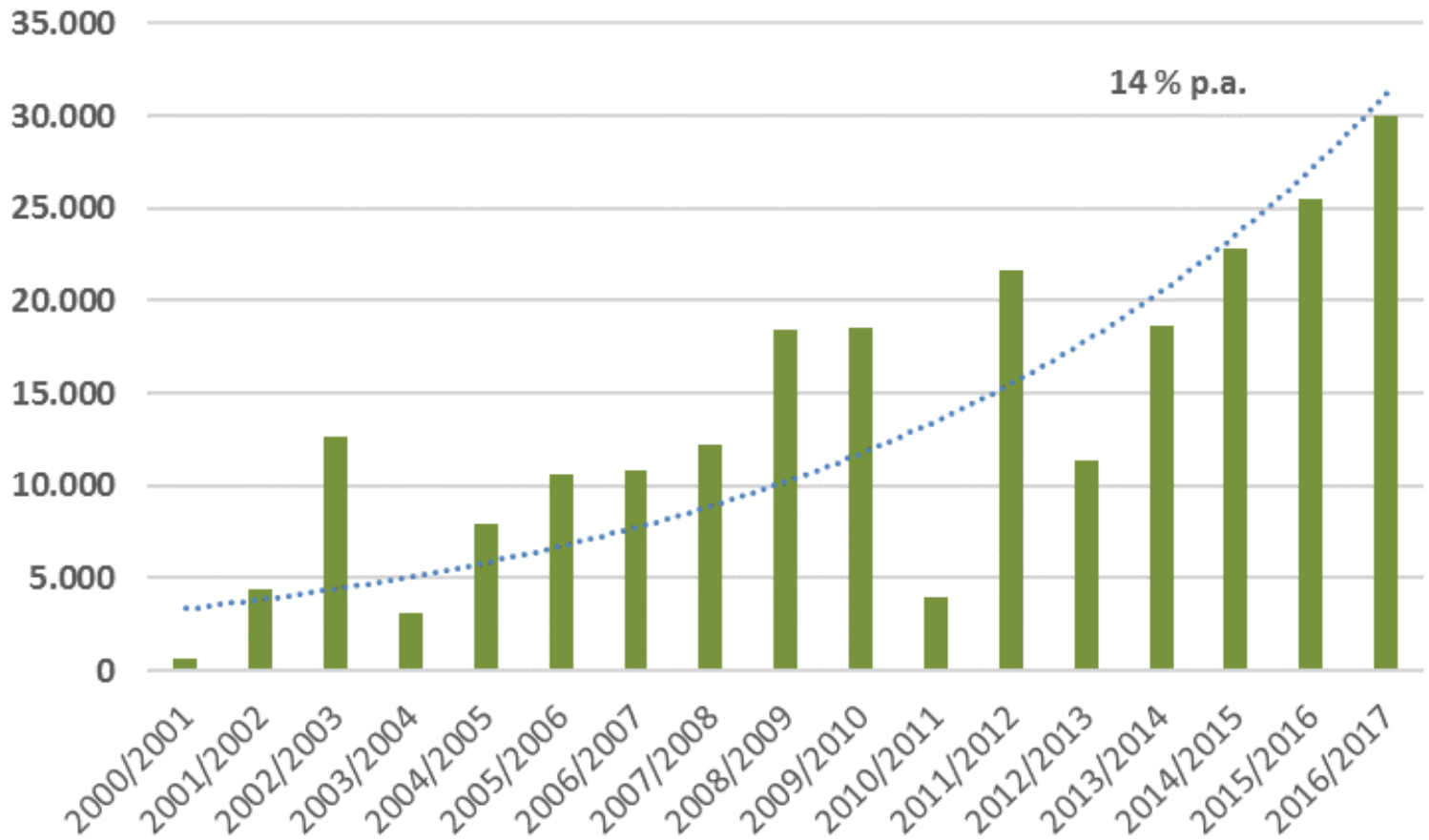
Direct, Operating & Other Cost vs. Market Revenue and Decoupled Payments – per Tonne (USD/t)



1. **Typical Russian, Argentine farms extremely competitive.**
2. **But: Russian farms also very low farm gate prices (- 50 $/t vs. the USA and CA).**
3. **Due to export taxes and export restrictions, Argentine wheat farm gate prices have been extremely low.**
4. **Adding land cost of at least 50 $/t for Western producers indicates that all farms – except for the Russian are in trouble to cover total cost in wheat.**

Evolution of Russian Wheat Exports

(in 1,000 t)



No comments